

**ROSEMOND NURSING CENTER, INC.**

**PICKENS, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING NOVEMBER 1, 1995  
AC# 3-RMD-D6**

**REPORT ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 3, 1999

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Rosemond Nursing Center, Inc., for the contract periods beginning November 1, 1995 and for the six month cost report period ended April 30, 1996, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Rosemond Nursing Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Rosemond Nursing Center, Inc. dated as of November 1, 1995 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
March 3, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**ROSEMOND NURSING CENTER, INC.**

Computation of Rate Change  
For the Contract Periods  
Beginning November 1, 1995  
AC# 3-RMD-D6

	11/01/95- <u>03/31/96</u>	04/01/96- <u>04/30/96</u>	05/01/96- <u>09/30/96</u>	10/01/96- <u>03/31/97</u>	04/01/97- <u>09/30/97</u>
Adjusted reimbursement rate	\$76.91	\$76.91	\$81.29	\$80.81	\$81.19
Interim reimbursement rate (1)	<u>76.28</u>	<u>76.28</u>	<u>80.64</u>	<u>80.11</u>	<u>80.56</u>
Increase in reimbursement rate	\$ <u>.63</u>	\$ <u>.63</u>	\$ <u>.65</u>	\$ <u>.70</u>	\$ <u>.63</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

**ROSEMOND NURSING CENTER, INC.**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period November 1, 1995 Through March 31, 1996  
AC# 3-RMD-D6

	<u>Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.05	\$40.20	\$43.55	\$40.20
Dietary	<u>.45</u>	<u>9.74</u>	<u>10.19</u>	<u>9.74</u>
Subtotal	<u>\$3.50</u>	49.94	53.74	49.94
Laundry/Housekeeping/Maint.	\$ -	7.21	7.17	7.17
Administration & Med. Rec.	<u>-</u>	<u>8.88</u>	<u>7.58</u>	<u>7.58</u>
Subtotal	<u>\$ -</u>	66.03	<u>\$68.49</u>	64.69
<u>Costs Not Subject to Standards:</u>				
Utilities		1.55		1.55
Special Services		.01		.01
Medical Supplies & Oxy.		2.78		2.78
Taxes and Insurance		.53		.53
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$70.90</u>		69.56
Inflation Factor (N/A)				-
Cost of Capital				5.85
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For Gen. Serv. & Dietary				3.50
Effect of \$1.50 Cap on Cost/Profit Incentives				<u>(2.00)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$76.91</u>

**ROSEMOND NURSING CENTER, INC.**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period April 1, 1996 Through April 30, 1996  
AC# 3-RMD-D6

	<u>Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.30	\$40.20	\$47.08	\$40.20
Dietary	<u>.45</u>	<u>9.74</u>	<u>10.19</u>	<u>9.74</u>
Subtotal	<u>\$3.75</u>	49.94	57.27	49.94
Laundry/Housekeeping/Maint.	\$ -	7.21	7.17	7.17
Administration & Med. Rec.	<u>-</u>	<u>8.88</u>	<u>7.58</u>	<u>7.58</u>
Subtotal	<u>\$ -</u>	66.03	<u>\$72.02</u>	64.69
<u>Costs Not Subject to Standards:</u>				
Utilities		1.55		1.55
Special Services		.01		.01
Medical Supplies & Oxy.		2.78		2.78
Taxes and Insurance		.53		.53
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$70.90</u>		69.56
Inflation Factor (N/A)				-
Cost of Capital				5.85
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For Gen. Serv. & Dietary				3.75
Effect of \$1.50 Cap on Cost/Profit Incentives				<u>(2.25)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$76.91</u>

**ROSEMOND NURSING CENTER, INC.**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period May 1, 1996 Through September 30, 1996  
AC# 3-RMD-D6

	<u>Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.30	\$40.20	\$47.08	\$40.20
Dietary	<u>.45</u>	<u>9.74</u>	<u>10.19</u>	<u>9.74</u>
Subtotal	<u>\$3.75</u>	49.94	57.27	49.94
Laundry/Housekeeping/Maint.	\$ -	7.21	7.17	7.17
Administration & Med. Rec.	<u>-</u>	<u>8.88</u>	<u>7.58</u>	<u>7.58</u>
Subtotal	<u>\$ -</u>	66.03	<u>\$72.02</u>	64.69
<u>Costs Not Subject to Standards:</u>				
Utilities		1.55		1.55
Special Services		.01		.01
Medical Supplies & Oxy.		2.78		2.78
Taxes and Insurance		.53		.53
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$70.90</u>		69.56
Inflation Factor (6.30%)				4.38
Cost of Capital				5.85
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For Gen. Serv. & Dietary				3.75
Effect of \$1.50 Cap on Cost/Profit Incentives				<u>(2.25)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$81.29</u>



**ROSEMOND NURSING CENTER, INC.**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1996 Through March 31, 1997  
AC# 3-RMD-D6

	<u>Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ .61	\$40.20	\$40.81	\$40.20
Dietary	<u>.71</u>	<u>9.74</u>	<u>10.45</u>	<u>9.74</u>
Subtotal	<u>\$1.32</u>	49.94	51.26	49.94
Laundry/Housekeeping/Maint.	\$ .05	7.12	7.17	7.12
Administration & Med. Rec.	<u>-</u>	<u>8.88</u>	<u>7.82</u>	<u>7.82</u>
Subtotal	<u>\$ .05</u>	65.94	<u>\$66.25</u>	64.88
<u>Costs Not Subject to Standards:</u>				
Utilities		1.55		1.55
Special Services		.01		.01
Medical Supplies & Oxy.		2.87		2.87
Taxes and Insurance		.53		.53
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$70.90</u>		69.84
Inflation Factor (4.90%)				3.42
Cost of Capital				5.93
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.05
Cost Incentive - For Gen. Serv. & Dietary				1.32
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$80.81</u>

**ROSEMOND NURSING CENTER, INC.**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period April 1, 1997 Through September 30, 1997  
AC# 3-RMD-D6

	<u>Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$3.07	\$40.20	\$43.87	\$40.20
Dietary	<u>.71</u>	<u>9.74</u>	<u>10.45</u>	<u>9.74</u>
Subtotal	<u>\$3.78</u>	49.94	54.32	49.94
Laundry/Housekeeping/Maint.	\$ .05	7.12	7.17	7.12
Administration & Med. Rec.	<u>-</u>	<u>8.88</u>	<u>7.82</u>	<u>7.82</u>
Subtotal	<u>\$ .05</u>	65.94	<u>\$69.31</u>	64.88
<u>Costs Not Subject to Standards:</u>				
Utilities		1.55		1.55
Special Services		.01		.01
Medical Supplies & Oxy.		2.87		2.87
Taxes and Insurance		.53		.53
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$70.90</u>		69.84
Inflation Factor (4.90%)				3.42
Cost of Capital				5.93
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.05
Cost Incentive - For Gen. Serv. & Dietary				3.78
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.08)
Minimum Wage Add On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$81.19</u>

**ROSEMOND NURSING CENTER, INC.**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended April 30, 1996  
For the Contract Periods November 1, 1995 Through September 30, 1996  
AC# 3-RMD-D6

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$ 317,575	\$ -	\$ 207 (2)	\$ 317,368
Dietary	77,213	-	322 (2)	76,891
Laundry	15,604	-	-	15,604
Housekeeping	20,932	-	-	20,932
Maintenance	20,357	-	-	20,357
Administration & Medical Records	70,136	-	-	70,136
Utilities	12,265	-	-	12,265
Special Services	60	-	-	60
Medical Supplies & Oxygen	19,061	2,875 (3)	-	21,936
Taxes & Insurance	4,165	-	-	4,165
Legal Fees	17	-	-	17
Cost of Capital	<u>43,611</u>	<u>2,566 (1)</u>	<u>-</u>	<u>46,177</u>
Subtotal	600,996	5,441	529	605,908

**ROSEMOND NURSING CENTER, INC.**

Summary of Costs and Total Patient Days

For the Cost Report Period Ended April 30, 1996

For the Contract Periods November 1, 1995 Through September 30, 1996

AC# 3-RMD-D6

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	13,704	-	-	13,704
Non-Allowable	<u>734,922</u>	<u>-</u>	<u>2,875 (3)</u>	<u>732,047</u>
Total Operating Expenses	<u>\$1,349,622</u>	<u>\$5,441</u>	<u>\$3,404</u>	<u>\$1,351,659</u>
TOTAL BEDS	<u>44</u>	TOTAL PATIENT DAYS		<u>7,894</u>

**ROSEMOND NURSING CENTER, INC.**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended April 30, 1996  
For the Contract Periods October 1, 1996 Through September 30, 1997  
AC# 3-RMD-D6

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 317,575	\$ -	\$ 207 (2)	\$ 317,368
Dietary	77,213	-	322 (2)	76,891
Laundry	14,914	-	-	14,914
Housekeeping	20,932	-	-	20,932
Maintenance	20,357	-	-	20,357
Administration & Medical Records	70,136	-	-	70,136
Utilities	12,265	-	-	12,265
Special Services	60	-	-	60
Medical Supplies & Oxygen	19,751	2,875 (3)	-	22,626
Taxes & Insurance	4,165	-	-	4,165
Legal Fees	17	-	-	17
Cost of Capital	<u>44,283</u>	<u>2,566 (1)</u>	<u>-</u>	<u>46,849</u>
Subtotal	601,668	5,441	529	606,580

**ROSEMOND NURSING CENTER, INC.**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended April 30, 1996  
For the Contract Periods October 1, 1996 Through September 30, 1997  
AC# 3-RMD-D6

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	13,704	-	-	13,704
Non-Allowable	<u>734,250</u>	<u>-</u>	<u>2,875</u> (3)	<u>731,375</u>
Total Operating Expenses	<u>\$1,349,622</u>	<u>\$5,441</u>	<u>\$3,404</u>	<u>\$1,351,659</u>
TOTAL BEDS	<u><u>44</u></u>		TOTAL PATIENT DAYS	<u><u>7,894</u></u>

**ROSEMOND NURSING CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended April 30, 1996  
AC# 3-RMD-D6

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Cost of Capital Accumulated Amortization - Loan Cost	\$2,566	\$2,566
	To adjust loan cost amortization expense to allowable State Plan, Attachment 4.19D		
2	Miscellaneous Income Dietary Restorative	529	322 207
	To offset cost with applicable income State Plan, Attachment 4.19D		
3	Medical Supplies Nonallowable	2,875	2,875
	To adjust for special (ancillary) services reimbursed by medicare State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$5,970</u>	<u>\$5,970</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**ROSEMOND NURSING CENTER, INC.**

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended April 30, 1996

For the Contract Periods November 1, 1995 Through September 30, 1996

AC# 3-RMD-D6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.9778</u>
Deemed Asset Value (Per Bed)	30,889
Number of Beds	<u>44</u>
Deemed Asset Value	1,359,116
Improvements Since 1981	56,827
Accumulated Depreciation at 4/30/96	<u>(422,726)</u>
Deemed Depreciated Value	993,217
Market Rate of Return	<u>0.072</u>
Total Annual Return	71,512
Number of Days in Period	<u>182/366</u>
Adjusted Annual Return	35,561
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	35,561
Depreciation Expense	8,439
Amortization Expense	2,603
Capital Related Income Offsets	(426)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	46,177
Total Patient Days	<u>7,894</u>
Cost of Capital Per Diem	<u>\$ 5.85</u>



**ROSEMOND NURSING CENTER, INC.**

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended April 30, 1996

For the Contract Periods November 1, 1995 Through September 30, 1996

AC# 3-RMD-D6

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.76
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.75</u>
Reimbursable Cost of Capital Per Diem	\$5.85
Cost of Capital Per Diem	<u>5.85</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

**ROSEMOND NURSING CENTER, INC.**

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended April 30, 1996

For the Contract Periods October 1, 1996 Through September 30, 1997

AC# 3-RMD-D6

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.0472</u>
Deemed Asset Value (Per Bed)	31,973
Number of Beds	<u>44</u>
Deemed Asset Value	1,406,812
Improvements Since 1981	56,827
Accumulated Depreciation at 4/30/96	<u>(422,726)</u>
Deemed Depreciated Value	1,040,913
Market Rate of Return	<u>0.070</u>
Total Annual Return	72,864
Number of Days in Period	<u>182/366</u>
Adjusted Annual Return	36,233
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	36,233
Depreciation Expense	8,439
Amortization Expense	2,603
Capital Related Income Offsets	(426)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	46,849
Total Patient Days	<u>7,894</u>
Cost of Capital Per Diem	<u>\$ 5.93</u>

**ROSEMOND NURSING CENTER, INC.**

Cost of Capital Reimbursement Analysis

For the Cost Report Period Ended April 30, 1996

For the Contract Periods October 1, 1996 Through September 30, 1997

AC# 3-RMD-D6

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$2.76
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$6.75</u>
Reimbursable Cost of Capital Per Diem	\$5.93
Cost of Capital Per Diem	<u>5.93</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>